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106TH CONGRESS, 2d Session | SENATE | REPORT 106–289

SMALL BUSINESS INNOVATION RESEARCH PROGRAM REAUTHORIZATION ACT OF 2000

MAY 10, 2000.—Ordered to be printed

Mr. BOND, from the Committee on Small Business, submitted the following

REPORT

[To accompany H.R. 2392]

The Committee on Small Business, to which was referred the bill (H.R. 2392), to amend the Small Business Act to extend the authorization for the Small Business Innovation Research Program, and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill as amended do pass.

I. NEED FOR LEGISLATION

In 1982, Congress established the Small Business Innovation Research (SBIR) program to stimulate technological development by leveraging the capabilities of small firms to meet the Federal government's research and development needs. In order to remain competitive in the global economy, the United States has historically depended heavily on innovation through research and development and has depended significantly on small business for such innovation.

The initial report of the Senate Committee on Small Business (Committee) on the legislation that established the SBIR program (S. Rep. No. 194, 97th Cong., 1st Session (1981)) acknowledged that small businesses are the most efficient and fertile sources of innovations in the United States. In establishing the program, the Committee pointed to reports demonstrating that small firms were prolific innovators, producing about 24 times as many innovations per research and development dollar as large firms and accounting for approximately one-half of the major innovations of this country. Despite the superior innovative capabilities of small firms, the

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Committee found that Federal procurement policies failed to encourage small business participation in government research and development, which in turn led to the decline in technological innovation in the United States. According to the original Committee report, when Congress was debating the establishment of the SBIR program, only four percent of Federal research and development funds were awarded to small firms, while 70 large companies received 80 percent of Federal research dollars provided to private industry.

Because of this disparity, Congress created the SBIR program to ensure that Federal agencies utilized the capabilities of small businesses. At its inception, the program required Federal agencies subject to the program to set aside 0.2 percent of their extramural research and development budgets for SBIR awards. Ten years after Congress originally approved the SBIR program, it was re-authorized by the Small Business Research and Development Enhancement Act (P.L. 102–564, October 28, 1992) (1992 Act). The 1992 Act expanded the SBIR program and made certain changes to emphasize the program's goal of increasing the private sector's commercialization of technologies.

Presently, the SBIR program requires each Federal agency with an extramural research and development budget of $100 million or more to award no less than 2.5 percent of that amount to small businesses to perform research and development that meets such agency's needs. Awards under the SBIR program are divided into three phases. Phase one awards are designed to determine the scientific and technical merit and feasibility of a proposed research idea, with funding for individual awards limited to $100,000. Phase two awards further develop research from phase one and emphasize the idea's commercialization potential, with individual awards up to $750,000. Phase three awards consist of non-Federal funds for the commercial application of the technology, non-SBIR Federal funds for the commercialization of products or services intended for procurement by the Federal government, or non-SBIR Federal funds for continued research and development of the technology.

This bill to reauthorize the SBIR program is the result of Committee proceedings over the last several years and the Committee's review of numerous reports that have been written on the performance of the SBIR program since its last reauthorization. In the last two years, the Committee has held one hearing and two roundtable meetings on the SBIR program. The first hearing was held on June 4, 1998, to examine the operation of the program and address the findings of a General Accounting Office (GAO) report on the administration of the program that was required by the 1992 Act. The report generally found that the SBIR program was running very well, and each of the witnesses testified at the Committee's hearing that the SBIR program was a great asset to small businesses and should be continued. While highlighting the success of the program, the witnesses also noted several areas for improvement. For example, Susan D. Kladiva, Associate Director, Energy, Resources and Science Issues Resources, Community, and Economic Development Division, GAO, pointed out that some agencies are using different interpretations of the term "extramural budget," which may be leading to incorrect calculations of their extramural research budgets, thus reducing the funding for SBIR projects. Section 8 of this legislation is intended to resolve this problem by requiring SBIR program agencies to report to the SBA on how they are calculating their extramural budgets and requiring the SBA to analyze such calculations to ensure that the agencies use a uniform method for calculating their extramural budgets that is consistent with the statutory definition.

On April 21, 1999, the Committee held a roundtable meeting to review once again the SBIR program. The participants agreed that the SBIR program has been successful and has established a basis for collaboration between small businesses, universities, government, large companies, venture capital firms, and commercial banks. This collaboration increases the already proven abilities of small businesses to innovate and commercialize technology successfully. A significant concern of certain participants, however, was the geographic distribution of SBIR awards. This issue was also highlighted in a GAO report released on June 4, 1999 (GAO/RCED–99–114), which found that companies in one-third of the states received 85 percent of the SBIR awards from fiscal year 1993 through 1996. While there are many reasons for this disparity, it is clear that a primary reason is that companies in these states submitted the most proposals for SBIR awards.

To address the concerns raised by the GAO report and by individuals active in the SBIR program in prior Committee proceedings, the Committee held a follow-up roundtable on August 9, 1999, to consider specifically the geographic distribution of awards made under the SBIR program and to examine proposals to encourage greater participation by companies located in states that receive a smaller share of SBIR awards. At the roundtable, the Committee requested recommendations on how the Federal government could best assist under-achieving states to encourage the development of high-technology small businesses that could, if interested, participate in the SBIR program and alleviate the geographic concentration of SBIR awards. The Committee sought recommendations that would not undermine the program's strengths, its reliance on competition and merit when making awards. Sections 9 and 10 of this legislation establish a comprehensive program to encourage organizations in states to assist in the development of small high-technology businesses based on many of the recommendations the Committee received from participants at the roundtable.

In addition to holding official Committee proceedings on the SBIR program, the Committee has closely reviewed numerous studies and reports on small business innovation and the SBIR program issued in the last several years. As was the case during the inception of the SBIR program, the Committee has found that small businesses continue to be superior innovators that must be utilized to meet the Federal government's research and development needs. Statistics compiled in the 1994 President's Report on the State of Small Business bear this out. That report indicates that small firms produce 55 percent of our country's innovations and twice as many product innovations per employee as large firms. Small firms also obtain more patents per sales dollar than larger firms. Despite these facts, the share of Federal research and development funds awarded to small businesses has not changed significantly since the SBIR program's creation in 1982. Small businesses still receive approximately four percent of Federal research and development dollars (A New View of Government, University, and Industry Partnerships, Office of Advocacy, U.S. Small Business Administration, February 2000).

The Committee has further concluded that the SBIR program has successfully met the goals Congress initially set for it in 1982. The goals of the program are threefold. First, the program assists the government with its research and development needs. Second, the program provides a catalyst to groundbreaking research and development. Third, the program strengthens the country's economy by promoting the commercialization of technologies developed through Federal research.

Several studies, conducted over the last several years, indicate that the SBIR program has been effective both in assisting the government with its research and development needs and in turning such research into new products. A 1989 GAO study (GAO/RCED–89–39) reported that scientists and engineers at Federal agencies found that the overall quality of the research performed under SBIR awards equaled, and in some cases, exceeded the quality of other agency research they monitored. Moreover, these individuals rated SBIR projects substantially higher than other research under their responsibility regarding the potential for leading to invention and commercialization of new products, processes, or services. As the program has grown, these conclusions have not changed. A 1995 GAO study (GAO/RCED–95–59) concluded that the quality of SBIR research proposals has kept pace with the program's expansion.

Moreover, the Committee has found that small businesses receiving SBIR awards generally have had significant success in commercializing the technology they develop. This is especially important considering that many of these firms are engaging in basic, cutting-edge research that will not always have a commercial application. A 1997 internal Department of Defense study found that the average phase two SBIR award of $400,000 generated $759,000 in sales and $614,000 in additional non-SBIR investment. Additionally, in 1998, the GAO reported that the commercialization rate on SBIR projects is close to 40 percent (GAO/RCED–98–132).

The Committee has reviewed closely the two reports undertaken by the GAO on the SBIR program as directed by the 1992 Act. The unmistakable message from these reports, the proceedings of the Committee and other reports reviewed by the Committee is clear—the SBIR program is a valuable, cost-effective program that is operating very well and meeting the goals Congress set for it.

An issue that has been raised to the Committee, however, has been Congress' recent direction to the DoD that research topics be more closely tied to acquisition programs. While the Committee applauds the speed with which the DoD has responded to this direction, the Committee is concerned that the DoD's implementation of that direction not curtail support of high-risk research and development projects. Therefore, the Committee encourages the DoD to select a balanced mix of SBIR topics, serving both the research and development needs of DOD programs and DOD research organizations.

II. SUMMARY OF MAJOR PROVISIONS

The Committee has concluded from its proceedings and its review of reports on the SBIR program that the program has been very successful and deserves reauthorization for an additional ten year period. Certain concerns, however, have been raised with the Committee over the last several years regarding aspects of the administration of the program. This bill is intended to resolve those concerns.

Section 3 of the bill reauthorizes the SBIR program for ten years. Sections 4 through 10 are intended to remedy concerns raised with the Committee on the administration of the SBIR program. With respect to Section 4 of the bill, the Committee has found that certain agencies have misconstrued the description of phase three of the SBIR program to require funding from more than one non-SBIR source, which was not the intent of Congress. Therefore, section 4 of the bill clarifies that the term "third-phase award" applies to each of the following activities: (1) commercial applications of SBIR-funded research or research and development funded by non-Federal sources of capital; (2) products and services intended for use by the Federal government funded by follow-on non-SBIR Federal funding awards; and (3) the continuation of research or research and development funded by non-SBIR Federal funding sources.

The Committee is also concerned that certain agencies are not consistently providing the same data rights to small businesses that receive SBIR phase three awards as those that receive phase one and two awards. It is the Committee's intent that all funding agreements for awards meeting the statutory description of a phase three award, including, without limitation, sole source awards for technology developed under the SBIR program, provide the same data rights as are provided for phase one and phase two awards. Accordingly, section 5 of the bill requires the SBA to issue a policy directive to all agencies participating in the SBIR program to clarify that the Small Business Act and the intent of Congress require that the rights in technical data granted to SBIR awardees in phase three are the same rights provided to awardees in phase one and phase two funding agreements.

Under current law, the Small Business Act requires each Federal agency with a Small Business Technology Transfer (STTR) program to submit to Congress and the Office of Management and Budget (OMB) an annual performance plan for program activities complying with the requirements of the Government Performance and Results Act (Results Act). So that Congress can appropriately monitor the results of the SBIR program, section 6 requires SBIR program agencies to provide to Congress and OMB a performance plan on the SBIR program that complies with the requirements of the Results Act.

Within the last year, the Committee received information regarding the data the SBA maintains on SBIR awardees. Specifically, the Committee learned that the GAO, in preparing its reports on the SBIR program in 1998 (GAO/RCED–98–132) and 1999 (GAO/

RCED–99–114), spent substantial resources correcting and updating information in the SBA's SBIR database. Accordingly, section 7 requires the SBA and the SBIR program agencies to collect and maintain reliable and up-to-date data so that Congress can better evaluate the SBIR program on an ongoing basis. So that the SBA can maintain an up-to-date and comprehensive database, the Committee expects each program agency to provide the information required by section 7 to the SBA in a timely manner.

Section 8 of the legislation is intended to resolve a concern raised in the Committee's June 4, 1998 hearing on the SBIR program. At that hearing, the GAO testified that certain SBIR program agencies are interpreting the term "extramural budget" in the Small Business Act in different manners, which may lead to incorrect calculations of their extramural research budgets. Such errors may cause the amount of funds set aside for the SBIR program to be understated. The Committee believes that the term "extramural budget" as defined by the Small Business Act is clear on its face. The term "extramural budget" is defined as the total amount obligated by an agency for research and development, minus amounts obligated for research and development performed by employees of such agency in or through facilities owned and operated by the Federal government. Accordingly, the term "extramural budget" would include amounts obligated for research and development performed in or by Federally Funded Research and Development Centers and contractor-operator facilities.

The law provides for only three very limited exceptions to the definition of "extramural budget": (1) for the Department of Energy, the term "extramural budget" does not include amounts obligated for atomic energy defense programs solely for weapons activities or for naval reactor programs; (2) for the Agency for International Development, the term "extramural budget" does not include amounts obligated solely for general institutional support of international research centers or for grants to foreign countries; and (3) agencies that are within the Intelligence Community (as that term is specifically defined in Executive Order 12333) are not subject to the SBIR program and, therefore, their research budgets are not to be included in the calculation of "extramural budget." Section 8 of the bill requires each SBIR program agency to provide the SBA and Congress with a description of its methodology for calculating the amount of its extramural budget. The Committee expects that by requiring the SBA to analyze how the agencies are calculating their extramural budgets, Federal agencies will be more likely to adopt a uniform definition of "extramural budget" that is consistent with the statutory language. The Committee intends that the methodologies SBIR program agencies prepare for the SBA contain an itemization of each research program that is excluded from the "extramural budget," which of the exemptions under the Small Business Act the program agency is relying on to exclude the program and a brief explanation as to why such program meets a particular exemption.

Sections 9 and 10 of the legislation are intended to address a concern raised with the Committee on numerous occasions related to the geographic distribution of SBIR awards among and within states. On April 21, 1999, the Committee held a roundtable meeting to review the SBIR program. A significant concern of certain participants was the geographic distribution of SBIR awards. This issue was also highlighted in a GAO report released on June 4, 1999 (GAO/RCED–99–114), which found that companies in one-third of the states received 85 percent of the SBIR awards from fiscal year 1993 through 1996. Companies on the East and West Coasts received a vast majority of these awards, while companies in the South, Midwest and Rocky Mountain states generally received very few awards. For example, the GAO reported that in fiscal year 1997, companies in Massachusetts and California received 202 and 326 phase two awards, respectively, out of approximately 1,400 awards nationally—almost 38 percent of the awards.

The GAO report also addressed activities that SBIR program agencies are taking to increase the participation of small firms in under-performing states. The report specifically pointed to the National Science Foundation's (NSF) efforts to increase the number of awards to small businesses in states with fewer awards as being particularly effective. The NSF's efforts relate to its Experimental Program to Stimulate Competitive Research (EPSCoR program). The EPSCoR program provides awards to universities for research and development in states whose universities receive comparatively little Federal research dollars. The NSF has used its EPSCoR program to assist potential SBIR participants in EPSCoR states in two ways. First, the NSF reviews for funding under the EPSCoR program SBIR proposals from businesses in EPSCoR states that are ranked in the "highly recommended" or "recommended" category in the SBIR review process but were not selected because of funding constraints. Second, the NSF has used EPSCoR program funds to provide grants to universities to provide technical assistance to businesses applying for SBIR awards. While other SBIR program agencies have established programs similar to the EPSCoR program, such other agencies have not to date linked their SBIR and EPSCoR program in a manner similar to the NSF.

To address the concerns raised by the GAO report and by individuals active in the SBIR program in prior Committee proceedings, the Committee held a follow-up roundtable on August 9, 1999. Participants in the roundtable discussed specifically the geographic distribution of awards made under the SBIR program and proposals to encourage greater participation by companies located in states and areas of states that receive a smaller share of SBIR awards. Several participants cited a GAO report which stated that earlier studies had shown that the number of small high-technology firms in a state, its research and development resources, and its access to venture capital are important factors in the distribution of SBIR awards and that the distribution of these awards tends to mirror the distribution of Federal research and development funds in general. Accordingly, the Committee requested recommendations on how the Federal government could best assist states to encourage the development of high-technology small businesses that could, if interested, participate in the SBIR program and alleviate the geographic concentration of SBIR awards.

Participants at the roundtable acknowledged the usefulness of the NSF's efforts in coordinating its SBIR program and its EPSCoR program. Based on the participant comments and the GAO report, the Committee has included, in Section 9 of this legislation, language requiring agencies with both SBIR programs and programs similar to EPSCoR to review for funding under these other technology development programs proposals to assist small business concerns in a manner similar to the NSF.

Most participants at the roundtable agreed that using existing state infrastructure to provide assistance to high-technology small businesses that may participate in the SBIR program is the most efficient and effective manner of encouraging such participation. As businesses in different states may have different needs, many participants also agreed that economic development organizations in each individual state should have the discretion to determine which activities would best assist small firms in the state. The Committee further addressed a legislative proposal to utilize mentoring organizations that employ "volunteers" to provide technical assistance (including, marketing, proposal writing, accounting, audit assistance, etc.) to small businesses seeking SBIR grants. The participants that addressed mentoring agreed that it could be a useful tool to expand on traditional outreach by matching companies that do not have significant experience in dealing with the Federal government or the SBIR program with companies that have experience in writing SBIR proposals, winning SBIR awards and commercializing technologies. A participant that operates a mentoring program on the local level lauded the success of the program and expressed the view that participating companies enjoy learning from each other. While most participants agreed that mentoring was an important aspect of assisting small businesses in the SBIR program, some participants raised concern about establishing such a program without leveraging the existing economic development infrastructure in a state.

To increase the distribution of SBIR awards among and within the states, sections 9 and 10 of this legislation establish a comprehensive program to encourage organizations in states to assist in the development of small high-technology businesses, which may include the establishment of mentoring networks, based on many of the recommendations the Committee received from participants at the roundtable. The Committee believes that increasing the overall participation in the program by high-technology small businesses will ultimately lead to an overall increase in the quality of SBIR proposals and completed projects.

III. SECTION-BY-SECTION ANALYSIS

Section 1. Short title

The title of the bill is "The Small Business Innovation Research Program Reauthorization Act of 2000."

Section 2. Findings

This section sets forth Congressional findings on the value of the SBIR Program.

Section 3. Extension of SBIR program

Under section 3, the SBIR program is reauthorized for ten years, through fiscal year 2010.

Section 4. Third phase assistance

Section 4 clarifies that the term "third-phase award" applies to each of the following activities: (1) commercial applications of SBIR-funded research or research and development funded by non-Federal sources of capital; (2) products and services intended for use by the Federal government funded by follow-on non-SBIR Federal funding awards; and (3) the continuation of research or research and development funded by non-SBIR Federal funding sources.

Section 5. Rights to data

This section requires the SBA to issue a policy directive to all agencies participating in the SBIR program that clarifies the rights in technical data that are granted to SBIR awardees.

The Committee expects the SBA to clarify that awardees are granted rights in data for four years following the completion of each stage of the SBIR process, including the first phase, the second phase, and the third phase.

Section 6. Report on programs for annual performance plan

This section requires that each agency with an SBIR program provide to Congress, the OMB and the SBA an annual performance plan for program activities, including establishing quantifiable performance goals and comparing program results to such goals.

Section 7. Collection, reporting, and maintenance of data

Section 7 requires each agency with an SBIR program to collect and maintain, in a common format, information on award winners as is necessary to assess the SBIR program and provide such information to the SBA. Additionally, section 7 requires that the SBA maintain an up-to-date and searchable public database that includes, at a minimum, the following information: (1) the name, size, location and an identifying number assigned by the Administrator for each small business that has received a phase one or phase two SBIR award; (2) a description of each phase one or phase two SBIR award received by a small business, including an abstract of the project funded, the Federal agency that made the award and the date and amount of the award; (3) an identification of any business concern or subsidiary established for the commercial application of a product or service for which an SBIR award is made; and (4) information regarding mentors and mentoring networks (as that term is defined by Section 10 of the bill).

The Committee intends that each SBIR program agency coordinate with the other program agencies and the SBA so that each small business that receives an SBIR award under the program is assigned a single, common identifier in both the SBA's and each agency's database. The Committee also expects that each SBIR program agency will require small businesses to submit the information necessary for such agencies to maintain a database on business concerns or subsidiaries established for the commercial application of a product or service developed under an SBIR award. If an agency believes it has not obtained such information from each SBIR award winner, the Committee expects such agency to take affirmative steps to obtain the necessary information.

This section further requires the SBA to report to the Senate and House Committees on Small Business on the data collected by the SBIR program agencies that is delivered to the SBA and the extent to which the program agencies are providing such information to the SBA in a timely manner.

Section 8. Federal agency expenditures for the SBIR program

Section 8 of the bill requires each SBIR program agency to provide the SBA and Congress with a description of its methodology for calculating the amount of its extramural budget. The Committee intends that the methodologies SBIR program agencies prepare for the SBA contain an itemization of each research program that is excluded from the "extramural budget," which of the exemptions under the Small Business Act the program agency is relying on to exclude the program and a brief explanation as to why such program meets a particular exemption.

Section 9. Federal and State Technology Partnership Program

This section establishes the Federal and State Technology Partnership Program (the FAST program), which is a competitive matching-grant program to encourage states to assist in the development of high-technology small businesses. The FAST program is authorized for $10 million each fiscal year through fiscal year 2005. The program will be administered by the SBA; however, the SBIR program managers at the DoD and the NSF will jointly review the proposals submitted for funding with the SBA. The Committee expects that each of these program managers will have an equal say with the SBA in determining which proposals deserve funding and the amount of such funding. While the legislation only expressly mentions the DoD, SBA and NSF, the Committee intends that these parties consult with the SBIR program managers at the other SBIR program agencies when establishing guidelines for the review of proposals.

Under the FAST program, organizations in every state (including state economic development agencies, small business development centers, or any other entity involved in the development of high-technology firms), either individually or on a regional basis, are eligible to apply for matching grants or to enter into cooperative agreements. Such grants or cooperative agreements can be used to enhance or develop: (1) technology research and development by small business concerns; (2) technology transfer from university research to technology-based small business concerns; (3) technology deployment and diffusion benefitting small business concerns; and (4) the technological capabilities of small business concerns through the establishment of consortia comprised of state and local development agencies, small business concerns, industries and universities. The FAST program also permits grants to be used by states for SBIR outreach, financial support and technical assistance, including: (1) providing grants or loans to companies to pay a portion or all of the cost of developing SBIR proposals; (2) operating a mentoring network to provide technical assistance to small businesses; and (3) encouraging the commercialization of technology.

The Committee intentionally drafted broad descriptions of the potential uses of grant funds and funds provided under cooperative agreements so that applicants could request funding for activities that they believe are the most appropriate for the technology business community in their states, provided such activities are consistent with the selection considerations established in the FAST program. Examples of the types of activities that could be funded under the FAST program include establishing an infrastructure to foster small business contact with SBIR program offices or matching companies that have completed phase two awards with existing sources of capital, such as angel investors, state venture capital funds or private venture capital firms.

The Committee intends that recipients will use funds under the FAST program to conduct new activities to assist in the development of small high-technology firms. Accordingly, the Committee expects the SBA to require an applicant to provide information in its proposal that it will not use funds under the FAST program to offset funding of any state program simply because there is Federal grant money available under the FAST program.

The FAST program establishes selection considerations that the SBA, and the SBIR program managers at the NSF and DoD must consider when reviewing applications for funding. The considerations include, at a minimum: (1) that the assistance would address unmet needs and the importance of using Federal funds for the proposed assistance; (2) that the need exists to increase the number or success of small high-technology businesses in the state; (3) the reasonableness of the proposed costs; (4) how the assistance would be integrated with existing state and local programs; and (5) the manner in which the results of the activities will be measured. The legislation specifically provides that the total number of SBIR phase one and phase two awards received in a state is one measurement for determining whether a need exists to increase the number or success of high-technology businesses in that state or in parts of that state. While the Committee expects that this be considered as a factor to determine need, it is not the Committee's intent that this be the sole factor. The Committee intends applicants to have the flexibility to demonstrate need and it is up to the reviewers to determine whether a state has made a legitimate case for receiving a FAST award. The Committee does not intend that an applicant be deemed ineligible for a grant or cooperative agreement under the FAST program if the applicant will be conducting activities in a state whose businesses, in the aggregate, receive a higher than average number of SBIR awards.

The FAST program requires the SBA to cooperate and coordinate in the administration of the program on an ongoing basis with the SBIR program agencies and organizations and individuals actively engaged in the enhancement or development of the technological capabilities of small firms. The Committee intends that the SBA cooperate and coordinate with these agencies, organizations and individuals in all aspects of the administration of the program, to the extent practicable, including the SBA's creation of procedures for proposals and applications for the FAST program.

The FAST program establishes a sliding-scale for matching grants, whereby states whose businesses receive relatively few SBIR awards must match a smaller portion of grant funds. Recipients of awards in states that rank among the bottom third of states in phase-one SBIR awards are only required to match $0.50 for every Federal dollar received. States that rank in the top third are required to match $1 for each Federal dollar, while the states in the middle third must match $0.75 for each dollar.

The SBA is required by the FAST program to submit an annual report to the Senate and House Committees on Small Business on the FAST program and its mentoring component. The legislation details some of the information that must be included in the report, but is not intended to be an exclusive list of the information that the SBA should furnish to Congress. The Committee intends that the SBA also specifically include in its annual report the following: (1) the extent to which small businesses have been successful in winning an SBIR award after receiving mentoring or other assistance provided for under the FAST program; (2) other measurements of successes achieved by the FAST program; and (3) any recommendations for improving the FAST program and either the mentoring networks or the database, or anything related thereto. Moreover, the Committee intends that the SBA also provide information on the following relating to the mentoring networks and the mentoring database: (1) the number of mentors participating in the previous year, and during the term of the program; (2) the number of small businesses served over both periods; (3) the type of assistance provided by each mentor; and (4) the costs of operating the network and the database.

The FAST program further requires agencies with programs similar to the NSF's EPSCoR program to coordinate such programs with their SBIR programs in the same manner as the NSF. The NSF has used its EPSCoR program to assist potential SBIR participants in EPSCoR states in two ways. First, through EPSCoR, the NSF funds outreach and assistance efforts for SBIR companies. Second, SBIR proposals from EPSCoR states that are ranked in the "highly recommended" or "recommended" category in the review process, but were not selected because of funding restraints, receive a second review and an opportunity to be funded through the EPSCoR program.

The FAST program does not require that agencies fund any specific outreach and assistance efforts or SBIR phase one or phase two awards through their other technology development programs. The Committee expects, however, that such agencies will consider proposals for funding under these other programs. Additionally, this section of the FAST program provides that proposals related to the SBIR program can be considered for funding under these other technology programs if such proposals are from a state that is in the bottom half of all states in the number of phase one and phase two grants received by businesses in such state.

Section 10. Mentoring networks

Section 10 of the bill sets forth criteria for mentoring networks that organizations may establish with matching funds from the FAST program. Essentially, establishment of a mentoring network requires an organization to identify small firms that have successfully completed one or more SBIR or STTR funding agreements and that have agreed to provide assistance, on a volunteer basis, to small business concerns through all stages of the SBIR or STTR program process. The Committee intends that different mentors may be able to assist small businesses through various stages of the SBIR award process and does not intend that each volunteer have expertise in all stages of the process or be required to help through all stages. The bill permits a reasonable amount of Federal funds from the FAST program to be expended by recipients of grants and participants in cooperative agreements for administrative expenses in the establishment of mentoring networks and to reimburse volunteer mentors. Section 10 also requires that the SBA establish a database of small businesses willing to act as mentors in mentoring networks and permits SBA to expend a reasonable amount, not exceeding $500,000 over the five years of the authorization of the FAST program, for that purpose. The Committee expects participating program managers and the SBA to aggressively market the availability of the FAST program, of funds for establishing mentoring networks and of the mentor database.

III. COMMITTEE VOTE

In compliance with rule XXVI(7)(b) of the Standing Rules of the Senate, the following vote was recorded on March 21, 2000.

After a quorum was established pursuant to Committee rules, a motion by Senator Bond to adopt an amendment in the nature of a substitute to the Small Business Innovation Research Program Reauthorization Act of 1999 passed unanimously.

A motion by Senator Bond to adopt the Small Business Innovation Research Program Reauthorization Act of 2000, to extend the authorization of the Small Business Innovation Research Program, and for other purposes, was approved by a unanimous recorded vote of 18–0, with the following Senators voting in the affirmative: Bond, Kerry, Burns, Coverdell, Bennett, Snowe, Enzi, Fitzgerald, Crapo, Voinovich, Abraham, Levin, Harkin, Lieberman, Wellstone, Cleland, Landrieu and Edwards.

IV. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI(11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

V. COST ESTIMATE

In compliance with rule XXVI(11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will be equal to the amounts indicated by the Congressional Budget Office in the following letter.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 5, 2000.

Hon. CHRISTOPHER S. BOND,
Chairman, Committee on Small Business,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2392, the Small Business Innovation Research Program Reauthorization Act of 2000.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley (for federal costs), and Shelley Finlayson (for the state and local impact).

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

H.R. 2392—Small Business Innovation Research Program Reauthorization Act of 2000

Summary: The Small Business Innovation Research (SBIR) program requires federal agencies with extramural research expenditures of more than $100 million to set aside 2.5 percent of their research and development budgets for small business. (In general, extramural expenditures are defined as expenditures for activities not performed by agency employees.) H.R. 2392 would extend the expiration date of the SBIR program from 2000 to 2010 and would require the affected federal agencies to include activities related to the SBIR program in their annual performance plans. Finally, H.R. 2392 would establish the Federal and State Technology Partnership (FAST) program to provide matching grants with states to assist high-technology small businesses.

Assuming appropriation of the amounts specified for the FAST program and amounts necessary to maintain the SBIR program at the level provided in 2000, CBO estimates that implementing the act would cost $93 million over the 2001–2005 period, subject to appropriation of the necessary amounts. Alternatively, if appropriations for the SBIR program are increased to keep pace with anticipated inflation, CBO estimates that implementing the FAST program and extending the SBIR program would cost $101 million over the 2001–2005 period.

H.R. 2392 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The act contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to state governments would be the result of complying with new grant conditions. Local and tribal governments would not be directly affected by the act.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2392 is shown in the following table. The costs of this legislation fall within several budget functions.

	By fiscal years, in millions of dollars—					
	2000	2001	2002	2003	2004	2005
SPENDING SUBJECT TO APPROPRIATION						
Without adjustments for inflation						
SBIR Spending Under Current Law:						
Estimated Authorization Level [1]	10	0	0	0	0	0
Estimated Outlays	10	1	0	0	0	0
Proposed Changes:						
Estimated Authorization Level	0	20	20	20	20	20
Estimated Outlays	0	14	19	20	20	20
SBIR and FAST Spending Under H.R. 2392:						
Estimated Authorization Level [1]	10	20	20	20	20	20
Estimated Outlays	10	15	19	20	20	20
With adjustments for inflation						
SBIR Spending Under Current Law:						
Estimated Authorization Level [1]	10	0	0	0	0	0
Estimated Outlays	10	1	0	0	0	0
Proposed Changes:						
Estimated Authorization Level	0	21	22	22	22	23
Estimated Outlays	0	15	00	22	22	23
SBIR and FAST Spending Under H.R. 2392:						
Estimated Authorization Level [1]	10	21	22	22	22	23
Estimated Outlays	10	16	20	22	22	23

[1] The 2000 level is the amount appropriated for that year for the SBIR program.

Basis of estimate: The Small Business Administration (SBA) currently has a small office devoted to the SBIR program. Other agencies that maintain at least a part-time SBIR staff include the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, and Transportation, as well as the Environmental Protection Agency, the National Aeronautics and Space Administration, and the National Science Foundation. The SBIR office structures of these agencies vary. Some agencies have a full-time staff devoted to the SBIR program, with other staff assisting as part of their other duties; some have several employees working part-time on the program. Program costs consist primarily of personnel, overhead, printing, mailing, and in the case of some agencies, contractors' costs.

H.R. 2392 would extend the SBIR program through 2010. Based on information from SBA and other affected agencies, CBO estimates that implementing the SBIR program would cost about $10 million a year in 2000 dollars, (less than $500,000 of that total would be for SBA). CBO expects federal agencies would continue to make extramural research expenditures under current law regardless of the SBIR program.

H.R. 2392 would establish the FAST program to provide matching grants with states to assist high-technology businesses. The act would authorize $10 million a year over the 2001–2005 period to implement the program. Based on the historical spending patterns of SBA's other business assistance programs, CBO estimates implementing this provision would cost $44 million over the 2001–2005 period.

Pay-as-you-go consideration: None.

Estimated impact on state, local, and tribal governments: H.R. 2392 contains no intergovernmental mandates as defined in UMRA. The act would create the Federal and State Technology Partnership program, a new matching-grant program to encourage states to assist in the development of high-technology small businesses. The amount that participating states would be required to match would be determined by a sliding-scale based on the amount of SBIR funds awarded to businesses in that state. Any costs to state governments to provide matching funds to participate in the FAST program would be incurred voluntarily.

Estimated impact on the private sector: The act contains no new private-sector mandates as defined in UMRA.

Previous CBO cost estimate: On July 15, 1999, CBO transmitted a cost estimate at H.R. 2392, as ordered reported by the House Committee on Small Business on July 1, 1999. CBO estimated the House version would cost $42 million over the 2001–2004 period. It did not include the FAST program that would be authorized by the Senate version of the legislation.

Estimate prepared by: Federal Costs: Mark Hadley. Impact on State, Local, and Tribal Governments: Shelley Finlayson. Impact on the Private Sector: Patrice Gordon.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VI. CHANGES IN EXISTING LAW

In the opinion of the Committee, it is necessary to dispense with the requirement of section 12 of rule XXVI of the Standing Rules of the Senate in order to expedite the business of the Senate.

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